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One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

June 21, 2006

Mr. Ken Daley
Vice President, International Development
Transurban Limited
405 Lexington Avenue, 43rd Floor
New York, NY 10017

Dear Mr. Daley:

RE: Credit Assessment for Transurban (895) US Holdings, LLC

You have requested that Fitch Ratings (Fitch) assess the credit worthiness of the proposed financing of the purchase of the Pocahontas Parkway Association (PPA) by Transurban (895) LLC (the operator). Transurban (895) US Holdings LLC (the borrower), which will be a limited liability company organized under the laws of the state of Delaware, through its 100% ownership of the operator will purchase the assets and assume all obligations of the PPA pursuant to the Asset Purchase Agreement between the PPA and the operator. Upon execution of the Amended and Restated Comprehensive Agreement (ARCA) between the Virginia Department of Transportation (VDOT) and the operator, the operator will have the right to operate, maintain, improve and collect tolls on the Pocahontas Parkway (the Rte. 895 connector) through the term of the ARCA. VDOT will retain ownership of all real property. At closing, Transurban (895) Delaware General Partnership (DGP), a general partnership organized under the laws of the state of Delaware, will directly own 100% of the equity interest in the borrower and the borrower will own 100% of the equity interest in the operator, which will have the right to operate, maintain, improve and collect tolls on the Rte. 895 connector free and clear of all liens, other than permitted liens, under the financing documents.

The rights to operate, maintain, improve and toll the Rte. 895 connector are expected to be acquired from the PPA by the borrower using a combination of \$115.5 million in equity, and \$419.8 million in senior bank loans provided in pro-rata shares by DEPFA Bank PLC, NY Branch, Banco Espirito Santo De Investimento, S.A., and Bayerische Hypo- und VereinsBank AG, New York. The equity will be provided by the two partners of the DGP, Transurban (USA) Holdings 1, Pty Limited and Transurban (USA) Holdings 2, Pty Limited, both domiciled in Australia and wholly owned by Transurban Holdings Limited, also domiciled in Australia. In addition to the \$115.5 million in equity, Transurban Holdings Limited will also provide a \$77 million Affiliate Subordinated Loan, \$55 million of which will be loaned back to Transurban Collateral Security Pty Ltd pursuant to a Demand Note and will be available as liquidity for up to 10 years following execution. Payment on the Demand Note will be added to the principal balance of the Affiliate Subordinated Loan. This credit assessment assumes that the Tranche B loan will

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be taken out by a \$150 million subordinate loan from the US Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.

The senior bank loans will be secured by interest earnings and by toll revenues collected on the Rte. 895 connector, net of operating expenses, taxes, and any permit fee required to be paid to VDOT. The TIFIA loan will be secured by these same sources on a cash flow subordinate basis but could spring to parity with the loans upon the occurrence of a bankruptcy related event, which has traditionally been used by TIFIA to incorporate the statutory springing lien. **Fitch has assumed that the definition will be consistent with other such TIFIA loan documents.** In addition, the senior bank loans and the cash flow subordinate TIFIA loan and required deposits to the Extraordinary Maintenance Reserve Account are secured by the \$55 million Demand Note and the \$35 million Total Debt Service Reserve Account (TDSRA). The specific terms of the floating to fixed rate swaps expected to be in place have not yet been reviewed, and the terms of any replacement swap have not yet been defined. **Fitch assumes that standard terms will be negotiated.**

The Rte. 895 connector is an 8.8 mile 4-lane divided bridge/highway that runs from its connection to Interstate 95 (I-95) on the west bank of the James River, to its junction with Interstate 295 (I-295) to the east. The bridge provides 141 feet of vertical clearance over the navigable channel. The Rte. 895 connector parkway has two toll plazas -- a mainline plaza on the east side of the river, and another located at Laburnum road. The Laburnum Road exit provides indirect access to the airport. Tolls are collected electronically through an open road tolling system and on a cash basis. A new toll plaza will be added if and when the Richmond Airport Connector (RAC) is opened. If the borrower is unable to secure a TIFIA loan in the amount of \$150 million, then it is under no obligation to construct the RAC.

The Rte. 895 connector is located in the southeastern portion of the Richmond area and the immediate corridor is relatively undeveloped. A mixed use development including a 31-acre town center, 69-acres of parks, and 3,209 residential units (Wilton Farms) is slated to be built directly adjacent to the Rte. 895 connector near the bridge. The connecting roads have been approved by VDOT and the cost is likely to be covered by the developer. There will be an untolled alternative but it will not provide for a direct river crossing.

This credit assessment does not constitute a credit rating by Fitch of the proposed Tranche A loan, or the TIFIA loan and is not meant for publication or distribution. Please note that our procedures for issuing a credit rating differ from procedures used by us in issuing this credit assessment.

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Our analysis included an assessment of the draft Preliminary Information Memorandum, a draft traffic and revenue forecast, technical report and insurance report provided for the lenders by independent advisors, as well as a traffic and revenue report developed by Transurban; drafts of the ARCA and the Asset Purchase Agreement; drafts of the Loan Agreement, the Collateral Agency and Account Agreement, the Demand Note, the Partially Subordinated Note, the Membership Interest Pledge Agreement, the Security Agreement, the Security and Guarantee Agreement and the financial model. In addition, Fitch reviewed the General Partnership Agreement for the DGP. Fitch has not reviewed the articles of incorporation for the borrower, the operator, Transurban (895) Holdings Ltd, or Transurban (895) Finance, Inc. **Fitch assumes that the articles of incorporation, the TIFIA loan documents, swap documents, all exhibits, annexes and attachments related to the documents listed above will be provided in advance of the final rating. In addition, Fitch is assuming that the final financial model, which will reflect Virginia and US tax liability, will not materially change the projected coverage and liquidity levels under the various pro-forma scenarios developed. For the purposes of this analysis, Fitch's credit assessment assumes that final documents will not materially weaken lender security, and that the results of final financial model will not materially differ from what was reviewed.**

This letter is to advise you that, based on our analysis, Fitch's assessment of the creditworthiness of the contemplated Tranche A loan is 'BBB-'. **The 'BBB-' assumes the addition of a covenant in the TIFIA Loan Agreement requiring the borrower to begin best efforts to restructure or refinance the senior debt if toll revenue by the end of 2008 is below the Lender's Low Side estimate.** Fitch's assessment of the prospective \$150 million TIFIA loan is in the 'BB' category and will be refined upon receipt of further documentation.

Fitch defines securities in the 'BBB' category to be of good credit quality with currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment grade category. Fitch defines securities in the 'BB' category to be speculative, with a possibility of credit risk developing, particularly as the result of adverse economic change over time. However, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

Fitch has taken into consideration a series of factors along with critical assumptions that are included in this credit assessment, which may or may not be true at the time of closing on the loans. To the extent the assumptions outlined in this letter or terms of the

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financing are different, Fitch's rating for the bonds could be different from this credit assessment. The primary credit strengths and risks are as follows:

STRENGTHS:

- Established and growing base of demand to cross the James River.
- Potential for corridor development to enhance traffic volumes.
- Limited high-speed alternatives to serve regional traffic across the James River.
- Clearly defined rights and obligations in the ARCA.
- Flexible debt structure that requires a phased-in cash sweep after payment of fixed obligations (operations and maintenance, extraordinary maintenance and repair, taxes, VDOT permit fees, and interest payments), and limits distributions if a Loan Life Coverage Ratio (LLCR) of 1.2 times (x) and a Debt Service Coverage Ratio (DSCR) excluding payments on the Demand Note of 1.1x are not met. TIFIA principal and interest requirements are senior to cash sweep provisions and allow interest to capitalize for 5 years, and then requires interest only through year 20. This flexibility lowers near term fixed obligations.
- Near term default risk mitigated by high level of structured liquidity and strong economic incentive to refinance debt. 99-year term of ARCA provides significant refinancing flexibility to address slower growth or Project Enhancements, as long as 'BBB-' rating maintained.
- Provisions of the ARCA that allow for increases in the prescribed toll rates if a DSCR of 1.2x is not achieved.
- Loan Agreement requires 75.5%/24.5% debt to equity prior to lending.
- The ARCA seeks to mitigate political risk associated with rapid toll escalation and potential profit of a private concern by providing a rate of return to the operator, but requires toll revenue sharing of 40% above the Initial Targeted Return of 6.5% on Total Invested Project Funds, and 80% above the Secondary Targeted Return of 8% on Total Invested Project Funds.
- The ARCA provides some flexibility for change by allowing for Termination of Convenience by VDOT after 40 years, allowing VDOT to build Competitive

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Transportation Facilities, and allowing VDOT to require other Project Enhancements. However, termination by VDOT for Public Convenience or due to VDOT Default will result in a payment equal to the Project Value that is the greater of outstanding Operator Debt including approved refinancings plus a 10.5% IRR or fair market value. Competing Facilities, Compliance Orders, and Project Enhancements require payment of revenue impact or cost of project.

RISKS:

- Significant revenue dependence on growth from Wilton Farms development, which is forecast to be nearly 50% of total traffic by 2012 and over 60% by 2016.
- Aggressive assumptions for base traffic in the early years.
- Very tight financial profile in the first 10 years with financial flexibility coming from structured internal liquidity and stand-by equity not cash flow, resulting in a high dependence on market access through a refinancing in a severe downside scenario.
- Potential for lower toll rate on Wilton Farms to help with development.
- Rapid toll escalation equal to 5.9% average annual growth between 2006 and 2016 and then 2.8% annually thereafter will test the limits of the road's low-to-moderate economic ratemaking flexibility.
- Average annual operating cost growth rate assumptions of 2.7% for 2007-2016 may be unrealistic.

The key elements and assumptions that factored into Fitch's credit assessment are discussed in more detail below:

LEGAL FRAMEWORK:

Amended and Restated Comprehensive Agreement (ARCA) - between VDOT and Transurban (895) LLC.

Fitch views the ARCA as a strong document that both protects lenders and also provides VDOT with significant flexibility to deal with changing circumstances. Specifically, the ARCA provides Lenders with step in rights to cure any operator default and also allows VDOT to terminate for convenience and build competing facilities if compensation is provided. Fitch believes that the ARCA is innovative relative to other concession agreements in the US and views it as a credit strength. With respect to tolling, the ability

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to raise rates above the schedule in Exhibit F provides important lender security in a downside scenario. As noted above, the revenue sharing provision is an important mitigant to political risk that could present itself if, given the rapid toll escalation, the operator appears to be reaping significant returns on equity. VDOT can always point to the Commonwealth's significant share in any upside.

Fitch notes that the ARCA limits toll collection to plazas physically located on the right of way. This could present a problem assuming significant changes in travel modes as it does not include air rights. In addition, the ARCA requires the operator to post an operations and maintenance letter of credit if there is an actual or projected budget shortfall. In Fitch's view, the requirement comes when it may already be too late and difficult to procure. The insurance requirements are standard and acceptable.

- General. The ARCA is the concession agreement under which VDOT grants the operator the right to operate maintain and toll the Rte. 895 connector. VDOT will maintain ownership of the ROW. The term of the agreement is 99 years, subject to early termination upon Force Majeure, Public Convenience, Operator Default, or VDOT Default. The agreement governs operations and maintenance performance and life cycle asset management, required reserves, insurance requirements, project enhancements including contractor requirements, toll levels, assignment of rights under the ARCA by VDOT or the operator, revenue sharing and protection against actions that would reduce the value of the asset, cash flow priority, equity distributions, issuance of additional debt by the operator, and lenders rights upon operator default.
- Tolling. The operator has the right to raise tolls pursuant to Exhibit F through the concession term. However, the operator can increase the tolls if a DSCR of 1.2x is not met or a significant force majeure event occurs and VDOT opts not to rebuild the bridge or terminate the ARCA. The DSCR includes operator debt, but does not include swap termination payments or swap default/penalty rates.
- Distributions. ARCA prohibits any distribution to equity or to cover Affiliate fees until all current and delinquent operating costs, all debt service costs, taxes, required deposits to the Extraordinary Maintenance and Repair Reserve Account (EMRRA), any costs not able to be funded from the EMRRA due to a previous shortfall, and any amounts owed to VDOT.
- Revenue Sharing. ARCA provides for the payment by the operator of a Permit Fee to VDOT that is scaled up based on performance. If the Initial Targeted Rate of Return of 6.5% is achieved, then T895 pays VDOT 40% of Toll Revenue. If the Secondary

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Targeted Rate of Return of 8% is achieved, then T895 pays VDOT 80% of Toll Revenue. These payments are on parity with operating costs, and thus ahead of debt service. The rate of return is a pre-tax rate of return on Total Invested Project Funds (all acquisition payments, due diligence, capital contributions or debt advances by the operator or affiliates, or operator debt excluding capital contributions or debt used to fund distributions, or refinancing to the extent it does not increase the principal amount of debt outstanding) calculated on Real Net Cash Flow (Net Cash Flow adjusted for inflation from closing date to close of semi-annual period).

- Additional Debt. ARCA permits additional financing agreements, but does place some limitations including the following: Collateral Agent must be institutional lender; financing agreements must be secured by 100% of operators rights unless subordinate or a permitted securitization which requires approval by lenders; Operator can't pledge or encumber rights to secure debt issued by any other entity or where proceeds are used for any purpose other than project; and, VDOT must be notified of operator defaults and of any intent to sell pursuant to a lender remedy.
- In order to be recognized, lenders must file financing agreements with VDOT. If properly filed, VDOT will allow lenders to review any proposed modifications to the ARCA before operator/VDOT approval. VDOT will notify lenders of an operator default or a potential default. ARCA allows for Collateral Agent to cure any operator default (lender step in rights) and does allow for a substitute operator or a new ARCA to be entered into between VDOT and the new operator. If more than one lender requests a new ARCA, the lender with the original or oldest financing agreement will be allowed to do so. Other requests will be voided.
- VDOT has right to approve refinancing agreements with 30 days prior notice. A refinancing is exempt from approval if: 1) the outstanding debt will only be increased by refinancing costs; 2) the proposed refinancing is rated 'BBB-' or better by a Rating Agency; or, 3) proceeds of refinancing will not be used for equity distributions or to pay non-capital costs or expenses.
- Operations and Maintenance. The ARCA specifies O&M standards to be met by operator (exhibit H – Operations and Maintenance Requirements and Extraordinary Maintenance and Repair Work). **Fitch has not yet been provided with this.** VDOT will perform O&M for 6 months on reimbursable basis. The operator will search for contractor as soon as closing occurs. VDOT can approve O&M contractor. VDOT responsible for base level police services. The operator is responsible for any requested increase in patrolling.

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- ARCA requires the operator to maintain Extraordinary Maintenance and Repair Reserve equal to 110% of all extraordinary maintenance and repair costs planned in the next five years. This can be funded over a three year period. The amount must include a 10% contingency allowance. The ARCA also requires the operator to provide a "Life Cycle Maintenance Model. Each year, the operator must submit five-year plan for meeting these life cycle requirements and VDOT must approve plan. **Fitch has not yet been provided with this.**
- Insurance requirements: flood, earth movement, collapse, water, leakage, etc; business loss for one year; general liability in amount of \$50 million; automobile of \$10 million; builder's risk for development contracts. All policies must also have VDOT as an insured.
- Project Enhancements, Including RAC. The ARCA sets out requirements for the operator regarding the RAC, and any other compliance order or project enhancement. The operator must secure a TIFIA loan in the amount of \$150 million within a specified timeframe, and must then manage an RFP process for a fixed-price design-build contract. If the contract exceeds \$45.2 million or if the operator can not secure a TIFIA loan then VDOT can fund the cost overruns, build and operate the RAC at its own expense or drop the project. The operator's sole exposure to the RAC is \$45.2 million. VDOT is responsible for all cost overruns, environmental problems, etc. With the exception of certain compliance orders, VDOT will reimburse the operator for other project enhancements.
- Discriminatory Governmental Actions/Competitive Transportation Facilities/Revenue Impacts. The ARCA sets out certain circumstances under which VDOT must provide reimbursement to the operator. They include: 1) opening and operation of any competitive transportation facility (highway within 3 miles of bridge on either side); 2) expansion of an existing facility such that it becomes a competitive transportation facility; and 3) allowing any other government or private entity to develop a competitive transportation facility without first using its power to stop it. Any of these does not trigger a default – just a compensation event.
- VDOT must reimburse the operator for Competitive Transportation Facilities, Project Enhancements, ITS activities with an Operator Cost, or Discriminatory Governmental Actions via an up-front payment of the present value of the impact, through quarterly payments, with interest, or by set-off amounts from the revenue sharing amounts payable under the permit fee, or by allowing the operator to adjust the toll rates to incorporate the cost. ARCA establishes a process for settling disagreements that

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includes trying to agree on an expert, then moving to separate experts who pick a third party, or then to mediation.

- ARCA Termination Events/Events of Default. Destruction of the bridge by force majeure with insufficient insurance will result in: the operator being able to rebuild and increase tolls above schedule, if VDOT decides to terminate; VDOT can cover the rebuild at its cost plus 15%; or if the operator elects not to rebuild, VDOT can terminate the agreement and pay cost equal to outstanding Operator Debt less refinancings and insurance proceeds.
- 40 years after the closing date, VDOT can terminate for "Public Convenience" by notifying the operator and then making a payment equal to outstanding debt plus 10% rate of return. The operator can only terminate if a material event of default by VDOT. Operator default can lead to a termination, but is subject to lender's rights. A VDOT default can lead to a termination if VDOT fails to meet any work plan schedule entered into in order to cure the default. This will lead to VDOT paying a sum equal to the Project Value, or the greater of outstanding Operator Debt including approved refinancings plus a 10.5% IRR or FMV. Any other Termination by VDOT, except force majeure, will be deemed a Termination For Public Convenience.
- The operator can not transfer its rights in the project for three years, and then is subject to VDOT approval. VDOT can assign its rights to any other public agency or public entity of the State.

Asset Purchase Agreement - between Transurban (895) LLC and Pocahontas Parkway Association.

- General. This agreement specifies requirements that must be met in order to complete the purchase of the Pocahontas Parkway by the operator, including the purchase price, closing, and covenants/prerequisites to closing. The purchase price is defined as amounts sufficient to defease: each of Senior Bonds on 8/15/2008; First Tier Subordinate Bonds on 8/15/2008; Second Tier Subordinate Bonds; and, an amount sufficient to cover amounts owed to VDOT but not yet converted to a second tier subordinate bond. Purchase price must be paid in cash, or in defeasance securities, which are limited to non-callable securities which are direct obligations of or which are unconditionally guaranteed by the US Government. The use of defeasance securities requires an independent verification report. At closing, the Seller must have arranged for deposit with the Trustee or an escrow agent in trust on the closing date, cash or defeasance securities to defease the bonds on 8/15/2008 and

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must deliver to Buyer the Security Release and Trustee Release, evidencing that the Pocahontas Parkway Debt has been taken out.

Loan Agreement - between Transurban (895) US holdings LLC and DEPFA Bank PLC, Banco Espirito Santo De Investimento, S.A., and Bayerische Hypo- und VereinsBank AG, New York Branch.

- General. The loan agreement sets out the terms of the Tranche A loan, the percent obligations of the three lenders (33.33% each), the ability of the lenders to assign obligations/rights under the loan agreement, and the ability of the lenders to grant participations in the rights/obligations. The agreement also limits the purposes for which loan proceeds can be used.
- Loan Terms. See "Financing Structure" below.
- Use of VDOT Funds/Insurance Proceeds/TIFIA Proceeds. Agreement requires that all insurance proceeds, VDOT termination payments (force majeure or other reason) or any VDOT compensation provided for competitive transportation facilities or net revenue impact or net cost implications must be used to prepay debt. It also requires that the TIFIA loan proceeds must be used to fund eligible project costs including up to \$45.2 million for the RAC and upgrades to the electronic toll collection equipment, to fund financing costs, and to prepay Tranche B. Any remaining funds will be used to prepay Tranche A.
- Conditions to Loan Execution. Prerequisites include a base case model showing a 1.24x DSCR for loans from closing to the scheduled Maturity Date (30 years) and a LLCR equal to or greater than 1.30x. Also, Model Auditor approval is required. Additionally, equity contributions of \$115.5 million and the Affiliate Subordinated Loan must be available and the ratio of loans to borrower equity/standby capital is equal to 75.5%/24.5%. Satisfactory evidence of defeasance of the PPA's debt is also required, along with an indicative rating of 'BBB-' on the loans, assuming a TIFIA takeout.
- Representations and Warranties. This section requires among other things, that the Security Documents create first-priority perfected lien, that the loan is and at all times will be direct and unconditional general obligations ranking higher than all other indebtedness of the Borrower.
- Affirmative/Negative Covenants. 10 days prior to any distribution, a certificate from the borrower must be provided indicating that all requirements for such distributions

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have been complied with. The borrower must also submit to the Administrative Agent any notices received from VDOT regarding VDOT Default, compensation events and compliance orders. In addition, the Borrower must submit quarterly reports on traffic and revenue, and all annual O&M budgets and five-year assessments for Emergency Maintenance and Repair work. These are subject to Technical review, and approval by Administrative Agent. The Borrower pledges to use best efforts to maintain DSCR of 1.20x pursuant to ARCA limitations/exceptions and to utilize a traffic consultant if not met. If all O&M, and senior interest and TIFIA interest can not be met, borrower must draw on the Demand Note. The borrow covenants to limit additional debt to ARCA requirements and not to enter into any sale/assignment without lender approval.

- Swaps. The borrower is required to implement a hedging program for Tranche A where 100% of the debt projected to be outstanding for three years after the closing date will be swapped to fixed, 75% of the debt projected to be outstanding from years 4-6 will be swapped to fixed, 50% of the debt projected to be outstanding from years 6-8.5 will be swapped to fixed. The borrower has the right to enter into swaps for 100% of the debt projected to be outstanding from year 10 or more.
- Events of Default/Remedy. These are standard, but an event of default can be triggered if any payment on the Demand Note is revoked, or if the rating on Transurban Finance Company Pty Limited falls below investment grade. If this were to occur, it could result in a reduction in the rating on the loans. Remedies appear standard and include cure periods for various events and immediate payment for bankruptcy.

Collateral Agency and Account Agreement – between Transurban (895) US Holdings LLC, Transurban (895) LLC, Transurban (895) Finance, Inc., Transurban (895) Holdings LTD, DEPFA Bank plc, and Wells Fargo Bank, N.A.

- General. This document works with the loan agreement to specify the order of payment, custody of accounts, and establishes the reserve fund requirements. This agreement also refers to the Security Agreement between the borrower and the Collateral Agent which establishes the pledge of revenue.
- Accounts. The Collateral Agent will hold and create the following accounts, all of which are “Project Accounts” and supply cash flow to the lenders:
 1. Proceeds Account – all toll revenue/VDOT compensation (verify VDOT transfers toll revenue on a daily basis).

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2. Loss Proceeds Account – all insurance proceeds.
3. TDSRA with two sub-accounts – unrestricted sub-account (\$24.8 million), and the restricted sub-account (\$10.2 million).
4. Extraordinary Maintenance and Repair Reserve Account (\$2.1 million).
5. Construction Proceeds Account.
6. Distribution Account.
7. Cash Holding Account.

- Flow of Funds.

1. On each monthly funding date, to the Operating Account, the next month's O&M expenses.
2. On each monthly funding date, to the Operating Account, the operator's required capital expenditures, other than the Emergency Maintenance and Repair costs.
3. On each monthly funding date, fees to mandated lead arrangers and Administrative Agent.
4. On each Interest Payment Date, all fees and interest on Tranche A&B loans.
5. On each date on which such amounts might be payable, make-whole fees for taxes, capital requirements, etc.
6. On each Calculation Date (6/30 and 12/31), required EMRR account deposits.
7. Interest due on TIFIA Loan.
8. On each Calculation Date, on or after the TIFIA Mandatory Repayment Commencement Date, an amount equal to the ratio of loans outstanding prior to the TIFIA Mandatory Repayment Commencement Date divided by the number of calculation dates from the TIFIA Mandatory Repayment Commencement Date to the Maturity Date.

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9. On each Calculation Date, on or after the TIFIA Mandatory Repayment Commencement Date, required TIFIA Principal Repayment.
 10. On each Calculation Date, an amount equal to the Applicable Cash Sweep Percentage of the Cash Flow Available for Sweep.
 11. Distribution Account.
- Total Debt Service Reserve Account and Procedures. Unless an event of default occurs, or the guarantor of the \$55 million Demand Note is rated non-investment grade, the amounts in the unrestricted sub-account can be used to pay interest on the subordinate loan of \$22 million. If amounts in the proceeds account are insufficient to make transfers 1-7, then the restricted sub-account can be used for such transfers. After a TIFIA draw, the restrictions on the TDSRA are eliminated. On the earlier of 10 years from closing, or the payment of the Demand Note, amounts in the TDSRA can be transferred to the proceeds account. In addition, amounts in the unrestricted sub-account may be used to pay interest on the Affiliate Subordinated Loan if no event of default has or is occurring, the guarantor of the Demand Note has an investment grade rating, and the current and projected DSCR is 1.05x. If the DSCR falls below 1.0x, then a restriction of the greater of \$10.2 million, or the amount needed to maintain a 1.0x DSCR through the maturity of the Demand Note will be made.
 - Distributions. If there is any shortfall in transfers 1-7, the distributions account will be drawn upon. Distributions can be made on any Calculation Date and on any day thereafter up to the next preceding Calculation Date only if the following are met: all transfers 1-9 on prior Calculation Date were made; No Default or Event of Default has occurred and is continuing or would occur; the DSCR and the Projected DSCR, excluding SBF draws and the Restricted sub-account of the TDSRA, is 1.10 or higher; the amounts in the Restricted sub-account of the TDSRA is at requirement; the LLCR is 1.20 or greater.
 - Amounts from Exercise of Remedies. All amounts collected by collateral agent must be used first to cover Collateral Agent fees, and will then be used on a pro-rata basis to lenders and to Hedging Banks to repay loan obligations.

Membership Interest Pledge Agreement – between Transurban (895) Delaware General Partnership (DGP) and Collateral Agent **Security Agreement** – between

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Borrower and Collateral Agent Security and Guarantee Agreement – between Operator and Borrower and Collateral Agent

- General. In combination, these three agreements effectively create the pledge of all toll revenue and other assets owned by the signatory parties to the Collateral Agent on behalf of the lenders and prohibit the signatories from taking action that would impair the security. The agreements also allow the Collateral Agent to step in and take control the pledged assets in the case of a bankruptcy or other event of default. The Membership Interest Pledge Agreement pledges all ownership rights of the member (the DGP) to the Collateral Agent on behalf of the Lenders. The Security Agreement pledges all interests of the borrower to the Collateral Agent on behalf of the Lenders, and the Security and Guarantee Agreement pledges all interests of the operator to the borrower and also acts as a guarantee of all obligations of the borrower – again to the Collateral Agent on behalf of the Lenders.

TIFIA Loan - between FHWA and Transurban (895) US Holdings LLC

- Documents not available - see above for assumptions.

\$77 million Affiliate Subordinated Loan

- Documents and repayment provisions not yet provided to Fitch.

\$55 million Demand Note - between Transurban (895) US Holdings LLC and Transurban (895) Delaware General Partnership and Transurban (895) Finance, Inc.

- This document, in conjunction with the Affiliate Subordinated Loan, provides \$55 million in liquidity. Transurban US Holdings LLC will transfer \$55 million to Transurban Collateral Security Pty Ltd via the Demand Note, which is payable on demand and is guaranteed by Transurban Finance Compant Pty Limited.

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Corporate Structure

- Effectively, Transurban (895) Delaware General Partnership (DGP) will receive equity of \$115.5 million and \$77 million from Transurban Holdings Limited via Transurban (USA) Holdings Pty 1 and Transurban (USA) Holdings Pty 2. \$55 million of the Affiliate Subordinated Note will be “loaned” back to Transurban Holdings Trust in the form of a Demand Note and will be guaranteed by Transurban Finance Company Pty Limited (Rated ‘A-’ Negative Rating outlook by Fitch). The DGP will create Transurban (895) US Holdings LLC (the borrower). Transurban 895 US Holdings LLC will create Transurban (895) Holdings Ltd., and Transurban (895) Finance, Inc. Transurban (895) Holdings Ltd. will create Transurban (895) LLC – the operator. Transurban (895) Finance, Inc. will only serve the purpose of transmitting financing proceeds to operator for purchase. This allows the borrower to claim a deduction for principal and interest payments on taxes owed to the Commonwealth of Virginia.
- DEPFA, Transurban, and Price Waterhouse Coopers have represented to Fitch that an update or opinion regarding the “no concept of consolidation” under Australian law will be provided. **Fitch has assumed that this will insulate the DGP from the Australian domiciled entities above it and will need to be verified prior to assigning a final rating.** The DGP is the entity that is liable for US taxes. For tax purposes, all of the entities below are consolidated so losses can be recorded and carried forward. The Borrower is only responsible for debt payments. The DGP is responsible for US taxes, but it is assumed that the borrower has the ultimate liability for such payments. The operator will be liable for Virginia income taxes, and Transurban (895) Finance, Inc. will allow for principal and interest payments to reduce this liability.
- Based on Fitch’s review of the DGP’s General Partnership Agreement, the general partnership has broad corporate powers and the borrower is not protected from consolidation or dissolution in the event of a DGP bankruptcy. In order to limit credit risk solely to the legal, economic and financial profile of the borrower and its ownership interests in the operator, it is critical that the borrower not be exposed to non-project related risks, including the risk of consolidation of the borrower to its majority owner the DGP in the event of a bankruptcy or dissolution of the DGP.

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Economics

The Rte. 895 connector benefits from an established operating history, and as a result, start-up traffic forecasting risk for the base traffic component is not present. The Rte. 895 connector opened to traffic in May of 2002, and calendar 2003 traffic and revenue was 43% and 41% of forecast, respectively. As a result, the PPA increased the mainline toll by 50 cents or 33% in August of 2004. Calendar 2004 traffic and revenue improved to 50% and 52% of forecast, with calendar 2005 traffic remaining at 49% of forecast but revenue improving to 58% of forecast. The toll was increased by 25 cents or 12.5% in January of 2006, and year to date traffic and revenue is up 2.7% and 15.0% respectively over 2005, reflecting the increase. The 2006 increase was driven by a projected rate covenant violation.

Despite a growing base level of traffic, development risk remains an important consideration as the completion of the Wilton Farms development would comprise nearly 50% of the forecast in 2012. Projected revenue increases are driven by a combination of growth in the base traffic component, additional traffic from the RAC, rapid growth in the Wilton Farms traffic, and significant toll rate adjustments. Fitch views the Rte. 895 connector as still being in ramp-up and having low to moderate economic rate-making ability. Since the pace of future development within the corridor remains uncertain Fitch views the Wilton Farms traffic and revenue component as subject to significant near-term risk. In addition, given the rapid increases provided for in the ARCA, traffic may be more elastic than anticipated and may be subject to local political risk, similar to other toll facilities.

The ARCA prescribes set toll increases from the current \$2.25 cash toll in January 2008, 2011, 2013, 2014, 2015, and 2016, resulting in a \$4.00 cash toll or an overall increase of 77.8% (5.9% average annual growth) in the mainline toll over 10 years. The ARCA then allows increases annually at the greater of 2.8%, the consumer price index (CPI), or gross domestic product (GDP). In addition to the prescribed increases in 2008-2016, if applying a CPI adjustment would result in a higher toll than specified in the ARCA, the higher level will be the resulting toll rate. Also, beginning in 2007, the current electronic toll collection discount of 25 cents can be eliminated. The prescribed rates and the formula that takes over in 2017 – if followed – would put the facility at the higher end of the revenue maximization curve and could drive some traffic off. However, it should provide for significant revenue generation.

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Financing Structure

The financing structure for the Tranche A and B loans, and the assumed structure of the TIFIA loan incorporate a number of structural features that mitigate to some degree traffic and revenue, operating and variable rate risk.

The Tranche A senior bank loan of \$316.6 million will have a 30-year maturity. The borrower is required to implement a hedging program where 100% of the debt projected to be outstanding for three years after the closing date will be swapped to fixed, 75% of the debt projected to be outstanding from years 4-6 will be swapped to fixed, 50% of the debt projected to be outstanding from years 6-8.5 will be swapped to fixed. The borrower has the right to enter into swaps for 100% of the debt projected to be outstanding from year 10 or more.

The Tranche B senior bank loan of \$103.2 million will have a 30-year maturity. 100% of the outstanding principal of the loan will bear interest at a synthetically fixed rate for one year. The intent is to take-out the Tranche B loan through a cash flow subordinate TIFIA loan. If no such loan or only a partial loan is secured one year after closing, then the remaining Tranche B principal balance will bear interest at a synthetically fixed rate for years two through eight and a half. From that point on, any remaining balance will be hedged in the same fashion as Tranche A loan.

Under the financing documents, the member is expected to retain 100% ownership of the borrower, who in turn must maintain 100% of the operator. However, additional membership interests can be issued in the borrower, Transurban (895) Holdings Ltd, or the operator if approved by the lenders and upon a pledge of the rights of such member to the lenders. Alternatively, such interests can be issued with Administrative Agent approval of Transurban Group retains 25% of the effective economic interests in the borrower, and any proceeds from such issuance are deposited in the proceeds account. In addition, the borrower can permit a change in control three years after closing, with the consent of the lenders.

The terms of the TIFIA loan are to be negotiated and thus have not been reviewed by Fitch. For purposes of this assessment, Fitch has assumed that the loan will be for \$150 million, the proceeds of which will be used to completely refinance the Tranche B loan, and to construct the Richmond Airport Connector (RAC) which will be tolled and will provide direct access from the Rte. 895 connector to the Richmond international Airport. Fitch has also assumed that interest will begin to accrue post construction, and that interest will be capitalized for a period of five years. Following the capitalization period,

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the loan will have accreted to an outstanding balance of \$184.8 million. Current interest will be paid for the next 15 years, and principal will not begin to be repaid until year 20. The flexibility of the TIFIA loan is a key aspect of the credit assessment, especially the obligation to begin paying current interest five years post construction and if not negotiated successfully, could result in a change to the credit assessment cited above. The credit quality of the TIFIA loan is strengthened by the shorter maturity of the bank loans and its position in the cash flow structure which improves once principle amortization begins.

A key strength of the structure is the flexible nature of the senior bank loans which only require payment of current interest and the flexibility provided by TIFIA. After interest is paid, the senior bank loans are amortized using a phased in cash sweep mechanism of any remaining revenues after operating expenses, taxes, permit fees, senior interest, and TIFIA interest. The phased aspect requires 25% of surplus cash to be used for principal repayment in years 0-4, 50% in years 5-9, and 100% in years 10-30. Once TIFIA begins to amortize, the outstanding senior loan balance will be repaid first by dividing the outstanding principal balance by the number of remaining interest payment dates and repaying the pro-rata amount. Then, TIFIA principal and interest is paid, followed by a cash sweep of any remaining revenue. This flexibility and limited fixed obligations in the near to medium term allows for protection against lower traffic and revenue, and in effect prevents distributions to equity as long as senior debt is outstanding.

Reserves will include a \$35 million TDSRA transferred from the defeased bonds, a \$2.1 million EMRRA, and a \$55 million Demand Note payable by Transurban Collateral Security Pty Ltd. If an operating and maintenance budget shortfall is projected, an operations and maintenance LOC must also be provided by the operator. In addition, there will be a principal balance of \$22 million on the Affiliate Subordinated Loan that requires an interest only payment. Payments on the Demand Note will be added to the outstanding principal balance, which is only repaid with equity distributions. Interest on the \$22 million Affiliate Subordinated Loan can be paid from the unrestricted sub-account of the TDSRA As described above.

Financial Analysis

The proposed financing structure and pre-funded liquidity, coupled with the untapped economic value of the asset over the remaining 69 years provides significant flexibility to deal with downside events including a break-even analysis that assumes a 21% reduction in revenue and a 10% increase in operating expenses. Under this scenario, all obligations are met on a full and timely basis. Under a downside scenario developed by Fitch the structure's flexibility and liquidity and the remaining economic value provide the borrower with sufficient cushion to continue to meet fixed obligations for a period long enough – in Fitch's view – to successfully refinance the debt to more closely match the life of the asset prior to the depletion of liquidity, assuming such a scenario develops and continues.

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Specifically, Fitch's downside scenario tested the debt structure's ability to accommodate the combined effects from the following:

- 1) A five year delay in the Wilton Farms Development, the Halcrow ramp-up period of five years, and an ultimate traffic level from the development equal to 65% of the Lender's Base Case.
- 2) A 10% increase in operating costs and extraordinary maintenance and repair works.
- 3) A 200 basis point increase on the rate applicable to the unhedged portion of the Tranche A loan.

Under this downside scenario, and assuming that interest payments on the TIFIA loan begin five years after the loan is drawn down, the borrower's obligations can be met through 2012, at which point the combination of net toll revenue and liquidity would be insufficient to cover TIFIA obligations. However, interest would only need to be capitalized for a four year period before coverage of all fixed obligations returns to sum sufficiency. If TIFIA allowed unpaid interest to capitalize, both the senior debt and TIFIA would be paid off by maturity. Given the less aggressive tenor of the debt, and the growing financial performance over time, even assuming this downside scenario, Fitch's view is that there is sufficient time for the borrower to refinance the Tranche A loan which would allow for coverage of fixed obligations by net toll revenue levels of 1.18 times (x) and growing, and retire the outstanding debt within a 50-year time frame.

To enhance lender protection, Fitch's credit assessment assumes **the addition of a covenant in the TIFIA Loan Agreement requiring the borrower to begin best efforts to restructure or refinance the senior debt if toll revenue by the end of 2008 is below the Lender's Low Side estimate.** In addition, a scenario where projected toll revenue for 2010 is equal to the Lender's Low Side Case, but average senior debt service coverage, excluding the use of liquidity for the following three years is less than 1.2 times would likely result in negative rating action.

Fitch believes that the borrower's financial profile could improve significantly over the next five years if the pace of and traffic from the Wilton Farms development occurs as forecast. Given the strength of the cash sweep mechanism which puts debt before equity, the Tranche A loan would be repaid by 2020 assuming the Lender's base case.

This credit assessment is based on the documents and information provided to us as of the date of this letter by DEPFA Bank plc, New York and its experts and agents. Fitch did not verify the truth of accuracy of any such information and does not take responsibility for the appropriateness of the information provided to us and used in the analysis.

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Because this is only a general assessment of the creditworthiness of the proposed Tranche A loan and the TIFIA loan and is not an actual credit rating, there can be no assurance that an actual credit rating for the proposed Tranche A loan and TIFIA loan, if issued by Fitch, will be the same as this assessment or that the assessment will not materially change over time. For example, if, for any reason, there are material changes in the documents, financial projections, or actual results of operations, the credit rating of the loans is likely to differ from this assessment.

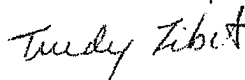
This credit assessment is not a recommendation to buy, sell, or hold any security or to enter into any agreement or arrangement relating to the proposed Tranche A loan. This credit assessment does not comment on the adequacy of market price, the suitability of any security, investment, or other arrangement for a particular party, or the tax-exempt nature or taxability of payments made in respect of any security.

This credit assessment does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other offering document filed under, or prepared in accordance with, the U.S. federal securities laws, the Financial Services Act 1986 or any other domestic or international securities law applicable.

Fitch does not represent, warrant, or guarantee, and Transurban Limited acknowledges that Fitch does not represent, warrant or guarantee: (i) that it is providing any financial advice, auditing, accounting, appraisal, valuation or actuarial services; (ii) the accuracy, correctness, integrity, completeness or timeliness of any part of this credit assessment; or (iii) that the information, analyses and assessment contained in, and constituting a part of, this credit assessment will fulfill any of Transurban Limited's particular purposes or needs. Fitch is not responsible for any underwriting, credit, loan, purchase or investment decision, or damages or other losses resulting from use of this credit assessment.

We are pleased to have had the opportunity to provide this assessment to you. If we can be of further assistance, please contact Mike McDermott at (212) 908-0605 or Cherian George at (212) 908-0519.

Sincerely,



Trudy Zibit
Managing Director
Public Finance

TZ/tv
Copy to:
Connor Kelly, DEPFA Bank PLC, New York

**Pocahantas
Operating Budget**

ANNUAL OPEX	Detail	TL Budget '06/'07
Cash Toll Collection	Includes 25 toll collectors; supervisors etc and management of uncollected toll notices.	\$503
AVI Toll Collection	Smart Tag fees, includes clearing with Away Agencies, transponder issue and account management	\$231
	IAG membership and ETC consultancy	\$225
Road O&M	Routine maintenance including road operations. NB: Capital items such as major maintenance and resheeting are costed separately via a capital reserve.	\$558
	Snow & Ice	\$306
	Independent Engineer's Report	\$75
Tolling Equipment O&M	Includes InTrans tolling system and Technicon VES system	\$227
	Repairs and Replacements	\$120
	Third party damage	\$36
General Business		
	Management salaries	\$610
	Financial services (provided by VDOT)	\$269
	State police service charge	\$0
	Marketing and Corporate Relations	\$245
	Insurance	\$578
	Legal	\$42
	Auditing	\$45
	Electrical service charge	\$45
	Computer Equipment	\$45
	Other (travel, office supplies, custodial)	\$256
	Total General Business	\$2,135
Total Annual Opex		\$4,416

Property and License Tax Exemption Bill

2006 SESSION

ENROLLED

VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend and reenact §§ 33.1-23.03:1, 56-557, 56-558, 56-560, 56-563, 56-564, 56-566,*
3 *56-567.1, 56-573.1, 58.1-811, 58.1-3203, and 58.1-3703 of the Code of Virginia and to amend the*
4 *Code of Virginia by adding sections numbered 33.1-23.03:9 and 58.1-3606.1, relating to concession*
5 *agreements pursuant to the Public-Private Transportation Act of 1995 and the taxation thereof;*
6 *allocation of concession payments.*

[S 666]

Approved

9 Be it enacted by the General Assembly of Virginia:
10 1. That §§ 33.1-23.03:1, 56-557, 56-558, 56-560, 56-563, 56-564, 56-566, 56-567.1, 56-573.1,
11 58.1-811, 58.1-3203, and 58.1-3703 of the Code of Virginia are amended and reenacted and that
12 the Code of Virginia is amended by adding sections numbered 33.1-23.03:9 and 58.1-3606.1 as
13 follows:
14 § 33.1-23.03:1. Transportation Trust Fund.
15 There is hereby created in the Department of the Treasury a special nonreverting fund to be known
16 as the Transportation Trust Fund, consisting of:
17 1. Funds remaining for highway construction purposes, among the several highway systems pursuant
18 to § 33.1-23.1.
19 2. [Repealed.]
20 3. The additional revenues generated by enactments of Chapters 11, 12 and 15 of the Acts of
21 Assembly, 1986 Special Session, and designated for this fund.
22 4. Tolls and other revenues derived from the projects financed or refinanced pursuant to this title
23 which are payable into the state treasury and tolls and other revenues derived from other transportation
24 projects, which may include upon the request of the applicable appointed governing body, as soon as
25 their obligations have been satisfied, such tolls and revenue derived for transportation projects pursuant
26 to § 33.1-253 (Chesapeake Bay Bridge and Tunnel District) and § 33.1-320 (Richmond Metropolitan
27 Authority) or if the appointed governing body requests refunding or advanced refunding by the Board
28 and such refunding or advanced refunding is approved by the General Assembly. Such funds shall be
29 held in separate subaccounts of the Transportation Trust Fund to the extent required by law or the
30 Board.
31 5. Tolls and other revenues derived from the Richmond-Petersburg Turnpike, provided, that such
32 funds shall be held in a separate subaccount of the Transportation Trust Fund and allocated as set forth
33 in Chapter 574 of the Acts of Assembly of 1983 until expiration of that Act.
34 6. Such other funds as may be appropriated by the General Assembly from time to time, and
35 designated for this fund.
36 7. All interest, dividends and appreciation which may accrue to the Transportation Trust Fund and
37 the Highway Maintenance and Construction Fund, except that interest on funds becoming part of the
38 Transportation Trust Fund under subdivision 1 and the Highway Maintenance and Construction Fund
39 shall not become part of the Transportation Trust Fund until July 1, 1988.
40 8. All amounts required by contract to be paid over to the Transportation Trust Fund.
41 9. Concession payments paid to the Commonwealth by a private entity pursuant to the Public-Private
42 Transportation Act of 1995 (§ 56-556 et seq.).
43 § 33.1-23.03:9. Concession Payments Account.
44 A. Concession payments to the Commonwealth deposited into the Transportation Trust Fund
45 pursuant to subdivision 9 of § 33.1-23.03:1 from qualifying transportation facilities developed and/or
46 operated pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) shall be held in a
47 separate subaccount to be designated the "Concession Payments Account," hereinafter referred to as
48 "the Account," together with all interest, dividends, and appreciation that accrue to the Account and that
49 are not otherwise specifically directed by law or reserved by the Board for other purposes allowed by
50 law.
51 B. The Board may make allocations from the Account upon such terms and subject to such
52 conditions as the Board deems appropriate, to:
53 1. Pay or finance all or part of the costs of programs or projects, including without limitation, the
54 costs of planning, operation, maintenance, and improvements incurred in connection with the acquisition
55 and construction of projects, provided that allocations from the Account shall be limited to programs
56 and projects that are reasonably related to or benefit the users of the qualifying transportation facility

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that was the subject of a concession pursuant to the Public Private Transportation Act. The priorities of metropolitan planning organizations, planning district commissions, local governments, and transportation corridors shall be considered by the Board in making project allocations from moneys in the Account.

2. Repay funds from the Toll Facilities Revolving Account or the Transportation Partnership Opportunity Fund.

3. Pay the Board's reasonable costs and expenses incurred in the administration and management of the Account.

C. Concession payments to the Commonwealth for a qualifying transportation facility located within the boundaries of a rapid rail project for which a federal Record of Decision has been issued shall be held in a subaccount separate from the Concession Payments Account together with all interest, dividends, and appreciation that accrue to the subaccount. The Board may make allocations from the subaccount, as the Board deems appropriate, to:

1. Pay or finance all or part of the costs of planning, design, land acquisition, and improvements incurred in connection with the construction of such rapid rail project consistent with the issued federal Record of Decision, as may be revised from time to time; and

2. Upon determination by the Board that sufficient funds are or will be available to meet the schedule for construction of such rapid rail project, pay or finance all or part of the costs of planning, design, land acquisition, and improvements incurred in connection with other highway and public transportation projects within the corridor of the rapid rail project or within the boundaries of the qualifying transportation facility. In the case of highway projects, the Board shall follow an approval process generally in accordance with § 33.1-18.

D. The provisions of this section shall be liberally construed to the end that its beneficial purposes may be effectuated. Insofar as this provision is inconsistent with the provisions of any other general, special, or local law, this provision shall be controlling.

E. If any provision of this section or the application thereof to any person or circumstances is held invalid by a court of competent jurisdiction, such invalidity shall not affect other provisions or applications of this section that can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

§ 56-557. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Affected jurisdiction" means any county, city or town in which all or a portion of a qualifying transportation facility is located and any other responsible public entity directly affected by the qualifying transportation facility.

"Asset management" means a systematic process of operating and maintaining the state system of highways by combining engineering practices and analyses with sound business practices and economic theory to achieve cost-effective outcomes.

"Commission" means the State Corporation Commission.

"Comprehensive agreement" means the comprehensive agreement between the private entity and the responsible public entity required by § 56-566 of this chapter.

"Concession" means any lease, license, franchise, easement, or other binding agreement transferring rights for the use or control, in whole or in part, of a qualifying transportation facility by a responsible public entity to a private entity for a definite term during which the private entity will provide transportation-related services including, but not limited to, operations and maintenance, revenue collection, toll-collection enforcement, design, construction, and other activities that enhance throughput, reduce congestion, or otherwise manage the facility in return for the right to receive all or a portion of the revenues of the qualifying transportation facility.

"Concession payment" means a payment from a private entity to a responsible public entity in connection with the development and/or operation of a qualifying transportation facility pursuant to a concession.

"Develop" or "development" means to plan, design, develop, finance, lease, acquire, install, construct, or expand.

"Interim agreement" means an agreement, including a memorandum of understanding or binding preliminary agreement, between the private entity and the responsible public entity that provides for completion of studies and any other activities to advance the development and/or operation of a qualifying transportation facility.

"Maintenance" means that term as defined in § 33.1-23.02.

"Material default" means any default by the private entity in the performance of its duties under subsection E of § 56-565 of this chapter that jeopardizes adequate service to the public from a qualifying transportation facility and remains unremedied after the responsible public entity has provided notice to the private entity and a reasonable cure period has elapsed.

118 "Multimodal transportation facility" means a transportation facility consisting of multiple modes of
119 transportation.

120 "Operate" or "operation" means to finance, maintain, improve, equip, modify, repair, or operate.

121 "Private entity" means any natural person, corporation, general partnership, limited liability company,
122 limited partnership, joint venture, business trust, public benefit corporation, non-profit entity or other
123 business entity.

124 "Public entity" means the Commonwealth and any agency or authority thereof, any county, city, or
125 town and any other political subdivision of any of the foregoing, but shall not include any public service
126 company.

127 "Qualifying transportation facility" means one or more transportation facilities developed and/or
128 operated by a private entity pursuant to this chapter.

129 "Responsible public entity" means a public entity, including local governments and regional
130 authorities, that has the power to develop and/or operate the qualifying transportation facility.

131 "Revenues" means all revenues, including, but not limited to, income, earnings, user fees, lease
132 payments, allocations, federal, state, regional, and local appropriations or the appropriations or other
133 funds available to any political subdivision, authority, or instrumentality thereof, bond proceeds, equity
134 investments, and/or service payments arising out of or in connection with supporting the development
135 and/or operation of a qualifying transportation facility, including without limitation, money received as
136 grants or otherwise from the United States of America, from any public entity, or from any agency or
137 instrumentality of the foregoing in aid of such facility.

138 "Service contract" means a contract entered into between a public entity and the private entity
139 pursuant to § 56-561 of this chapter.

140 "Service payments" means payments to the private entity in connection with the development and/or
141 operation of a qualifying transportation facility pursuant to a service contract.

142 "State" means the Commonwealth of Virginia.

143 "Transportation facility" means any road, bridge, tunnel, overpass, ferry, airport, mass transit facility,
144 vehicle parking facility, port facility or similar commercial facility used for the transportation of persons
145 or goods, together with any buildings, structures, parking areas, appurtenances, and other property
146 needed to operate such facility; *however, a commercial or retail use or enterprise not essential to the*
147 *transportation of persons or goods shall not be a "transportation facility."*

148 "User fees" mean the rates, tolls, fees, or other charges imposed by the private entity for use of all or
149 a portion of a qualifying transportation facility pursuant to the interim or comprehensive agreement.

150 § 56-558. Policy.

151 A. The General Assembly finds that:

152 1. There is a public need for timely development and/or operation of transportation facilities within
153 the Commonwealth that address the needs identified by the appropriate state, regional, or local
154 transportation plan by improving safety, reducing congestion, increasing capacity, and/or enhancing
155 economic efficiency and that such public need may not be wholly satisfied by existing methods of
156 procurement in which qualifying transportation facilities are developed and/or operated;

157 2. Such public need may not be wholly satisfied by existing ways in which transportation facilities
158 are developed and/or operated; and

159 3. Authorizing private entities to develop and/or operate one or more transportation facilities may
160 result in the *availability development and/or operation* of such transportation facilities to the public in a
161 more timely, more efficient, or less costly fashion, thereby serving the public safety and welfare.

162 B. An action, other than the approval of the responsible public entity under § 56-560 of this chapter,
163 shall serve the public purpose of this chapter if such action, *including undertaking a concession,*
164 facilitates the timely development of a qualifying transportation facility or the and/or operation of a
165 qualifying transportation facility.

166 C. It is the intent of this chapter, among other things, to encourage investment in the Commonwealth
167 by private entities that facilitates the development and/or operation of transportation facilities.
168 Accordingly, public and private entities may have the greatest possible flexibility in contracting with
169 each other for the provision of the public services which are the subject of this chapter.

170 D. This chapter shall be liberally construed in conformity with the purposes hereof.

171 § 56-560. Approval by the responsible public entity.

172 A. The private entity may request approval by the responsible public entity. Any such request shall
173 be accompanied by the following material and information unless waived by the responsible public
174 entity in its guidelines or other instructions given, in writing, to the private entity with respect to the
175 transportation facility or facilities that the private entity proposes to develop and/or operate as a
176 qualifying transportation facility:

177 1. A topographic map (1:2,000 or other appropriate scale) indicating the location of the transportation
178 facility or facilities;

- 179 2. A description of the transportation facility or facilities, including the conceptual design of such
180 facility or facilities and all proposed interconnections with other transportation facilities;
- 181 3. The proposed date for development and/or operation of the transportation facility or facilities along
182 with an estimate of the life-cycle cost of the transportation facility as proposed;
- 183 4. A statement setting forth the method by which the private entity proposes to secure any property
184 interests required for the transportation facility or facilities;
- 185 5. Information relating to the current transportation plans, if any, of each affected jurisdiction;
- 186 6. A list of all permits and approvals required for developing and/or operating improvements to the
187 transportation facility or facilities from local, state, or federal agencies and a projected schedule for
188 obtaining such permits and approvals;
- 189 7. A list of public utility facilities, if any, that will be crossed by the transportation facility or
190 facilities and a statement of the plans of the private entity to accommodate such crossings;
- 191 8. A statement setting forth the private entity's general plans for developing and/or operating the
192 transportation facility or facilities, including identification of any revenue, public or private, or proposed
193 debt or equity investment or concession proposed by the private entity;
- 194 9. The names and addresses of the persons who may be contacted for further information concerning
195 the request;
- 196 10. Information on how the private entity's proposal will address the needs identified in the
197 appropriate state, regional, or local transportation plan by improving safety, reducing congestion,
198 increasing capacity, and/or enhancing economic efficiency; and
- 199 11. Such additional material and information as the responsible public entity may reasonably request
200 pursuant to its guidelines or other written instructions.
- 201 B. The responsible public entity may request proposals from private entities for the development
202 and/or operation of transportation facilities. The responsible public entity shall not charge a fee to cover
203 the costs of processing, reviewing, and evaluating proposals received in response to such requests.
- 204 C. The responsible public entity may grant approval of the development and/or operation of the
205 transportation facility or facilities as a qualifying transportation facility if the responsible public entity
206 determines that it serves the public purpose of this chapter. The responsible public entity may determine
207 that the development and/or operation of the transportation facility or facilities as a qualifying
208 transportation facility serves such public purpose if:
 - 209 1. There is a public need for the transportation facility or facilities the private entity proposes to
210 develop and/or operate as a qualifying transportation facility;
 - 211 2. The transportation facility or facilities and the proposed interconnections with existing
212 transportation facilities, and the private entity's plans for development and/or operation of the qualifying
213 transportation facility or facilities, are, in the opinion of the responsible public entity, reasonable and
214 will address the needs identified in the appropriate state, regional, or local transportation plan by
215 improving safety, reducing congestion, increasing capacity, and/or enhancing economic efficiency;
 - 216 3. The estimated cost of developing and/or operating the transportation facility or facilities is
217 reasonable in relation to similar facilities; and
 - 218 4. The private entity's plans will result in the timely development and/or operation of the
219 transportation facility or facilities or their more efficient operation.
- 220 In evaluating any request, the responsible public entity may rely upon internal staff reports prepared
221 by personnel familiar with the operation of similar facilities or the advice of outside advisors or
222 consultants having relevant experience.
- 223 D. The responsible public entity may charge a reasonable fee to cover the costs of processing,
224 reviewing, and evaluating the request submitted by a private entity pursuant to subsection A, including
225 without limitation, reasonable attorney's fees and fees for financial and other necessary advisors or
226 consultants. The responsible public entity shall also develop guidelines that establish the process for the
227 acceptance and review of a proposal from a private entity pursuant to subsections A and B. Such
228 guidelines shall establish a specific schedule for review of the proposal by the responsible public entity,
229 a process for alteration of that schedule by the responsible public entity if it deems that changes are
230 necessary because of the scope or complexity of proposals it receives, the process for receipt and review
231 of competing proposals, and the type and amount of information that is necessary for adequate review of
232 proposals in each stage of review. For qualifying transportation facilities that have approved or pending
233 state and federal environmental clearances, secured significant right of way, have previously allocated
234 significant state or federal funding, or exhibit other circumstances that could reasonably reduce the
235 amount of time to develop and/or operate the qualifying transportation facility in accordance with the
236 purpose of this chapter, the guidelines shall provide for a prioritized documentation, review, and
237 selection process.
- 238 E. The approval of the responsible public entity shall be subject to the private entity's entering into
239 an interim agreement or a comprehensive agreement with the responsible public entity.

240 F. In connection with its approval of the development and/or operation of the transportation facility
 241 or facilities as a qualifying transportation facility, the responsible public entity shall establish a date for
 242 the acquisition of or the beginning of construction of or improvements to the qualifying transportation
 243 facility. The responsible public entity may extend such date from time to time.

244 G. The responsible public entity shall take appropriate action, as more specifically set forth in its
 245 guidelines, to protect confidential and proprietary information provided by the private entity pursuant to
 246 an agreement under subdivision 11 of § 2-2-3705.6.

247 H. The responsible public entity may also apply for, execute, and/or endorse applications submitted
 248 by private entities to obtain federal credit assistance for qualifying projects developed and/or operated
 249 pursuant to this chapter.

250 § 56-563. Affected jurisdictions.

251 A. Any private entity requesting approval from, or submitting a proposal to, a responsible public
 252 entity under § 56-560 shall notify each affected jurisdiction by furnishing a copy of its request or
 253 proposal to each affected jurisdiction.

254 B. Each affected jurisdiction that is not a responsible public entity for the respective qualifying
 255 transportation facility shall, within 60 days after receiving a request for comments from the responsible
 256 public entity, submit any comments it may have in writing on the proposed qualifying transportation
 257 facility to the responsible public entity and indicating whether the facility will address the needs
 258 identified in the appropriate state, regional, or local transportation plan by improving safety, reducing
 259 congestion, increasing capacity, and/or enhancing economic efficiency.

260 C. Any qualifying transportation facility, title or easement to which is held by the Commonwealth or
 261 an agency or authority therefor and the rights to develop or operate which have been granted to the
 262 private entity through a concession as defined in § 56-557, shall be subject to the provisions of Title
 263 15.2 in the same manner as a facility of the Commonwealth, *mutatis mutandis*, except that such private
 264 entity shall comply with the provisions of subsections B and C of § 15.2-2202 as they related to the
 265 affected jurisdiction's comprehensive plan.

266 § 56-564. Dedication of public property.

267 Any public entity may dedicate any property interest that it has for public use as a qualified
 268 transportation facility if it finds that so doing will serve the public purpose of this chapter. In connection
 269 with such dedication, a public entity may convey any property interest that it has, subject to the
 270 conditions imposed by general law governing such conveyances, to the private entity, subject to the
 271 provisions of this chapter, for such consideration as such public entity may determine. The
 272 aforementioned consideration may include, without limitation, the agreement of the private entity to
 273 develop and/or operate the qualifying transportation facility. The property interests that the public entity
 274 may convey to the private entity in connection with a dedication under this section may include licenses,
 275 franchises, easements, concessions, or any other right or interest the public entity deems appropriate.
 276 Such property interest including, but not limited to, a leasehold interest in and/or rights to use real
 277 property constituting a qualifying transportation facility shall be considered property indirectly owned
 278 by a government if described in § 58.1-3606.1.

279 § 56-566. Comprehensive agreement.

280 A. Prior to developing and/or operating the qualifying transportation facility, the private entity shall
 281 enter into a comprehensive agreement with the responsible public entity. The comprehensive agreement
 282 shall, as appropriate, provide for:

283 1. Delivery of performance and payment bonds in connection with the development and/or operation
 284 of the qualifying transportation facility, in the forms and amounts satisfactory to the responsible public
 285 entity;

286 2. Review of plans for the development and/or operation of the qualifying transportation facility by
 287 the responsible public entity and approval by the responsible public entity if the plans conform to
 288 standards acceptable to the responsible public entity;

289 3. Inspection of construction of or improvements to the qualifying transportation facility by the
 290 responsible public entity to ensure that they conform to the standards acceptable to the responsible
 291 public entity;

292 4. Maintenance of a policy or policies of public liability insurance (copies of which shall be filed
 293 with the responsible public entity accompanied by proofs of coverage) or self-insurance, each in form
 294 and amount satisfactory to the responsible public entity and reasonably sufficient to insure coverage of
 295 tort liability to the public and employees and to enable the continued operation of the qualifying
 296 transportation facility;

297 5. Monitoring of the maintenance practices of the private entity by the responsible public entity and
 298 the taking of such actions as the responsible public entity finds appropriate to ensure that the qualifying
 299 transportation facility is properly maintained;

300 6. Reimbursement to be paid to the responsible public entity for services provided by the responsible

301 public entity;

302 7. Filing of appropriate financial statements in a form acceptable to the responsible public entity on a
303 periodic basis;

304 8. Compensation to the private entity which may include a reasonable development fee, a reasonable
305 maximum rate of return on investment, and/or reimbursement of development expenses in the event of
306 termination for convenience by the responsible public entity as agreed upon between the responsible
307 public entity and the private entity;

308 9. The date of termination of the private entity's authority and duties under this chapter and
309 dedication to the appropriate public entity; and

310 10. Guaranteed cost and completion guarantees related to the development and/or operation of the
311 qualified transportation facility and payment of damages for failure to meet the completion guarantee.

312 B. The comprehensive agreement shall provide for such user fees as may be established from time to
313 time by agreement of the parties. Any user fees shall be set at a level that takes into account any lease
314 payments, service payments, and compensation to the private entity or as specified in the comprehensive
315 agreement. A copy of any service contract shall be filed with the responsible public entity. A schedule
316 of the current user fees shall be made available by the private entity to any member of the public on
317 request. In negotiating user fees under this section, the parties shall establish fees that are the same for
318 persons using the facility under like conditions except as required by agreement between the parties to
319 preserve capacity and prevent congestion on the qualifying transportation facility. The execution of the
320 comprehensive agreement or any amendment thereto shall constitute conclusive evidence that the user
321 fees provided for therein comply with this chapter. User fees established in the comprehensive
322 agreement as a source of revenues may be in addition to, or in lieu of, service payments.

323 C. In the comprehensive agreement, the responsible public entity may agree to make grants or loans
324 for the development and/or operation of the qualifying transportation facility from time to time from
325 amounts received from the federal government or any agency or instrumentality thereof.

326 D. The comprehensive agreement shall incorporate the duties of the private entity under this chapter
327 and may contain such other terms and conditions that the responsible public entity determines serve the
328 public purpose of this chapter. Without limitation, the comprehensive agreement may contain provisions
329 under which the responsible public entity agrees to provide notice of default and cure rights for the
330 benefit of the private entity and the persons specified therein as providing financing for the qualifying
331 transportation facility. The comprehensive agreement may contain such other lawful terms and
332 conditions to which the private entity and the responsible public entity mutually agree, including,
333 without limitation, provisions regarding unavoidable delays or provisions providing for a loan of public
334 funds for the development and/or operation of one or more qualifying transportation facilities.

335 E. The comprehensive agreement shall provide for the distribution of any earnings in excess of the
336 maximum rate of return as negotiated in the comprehensive agreement. Without limitation, excess
337 earnings may be distributed to the Commonwealth's Transportation Trust Fund, to the responsible public
338 entity, or to the private entity for debt reduction or they may be shared with appropriate public entities.
339 *Any payments under a concession arrangement for which the Commonwealth is the responsible public*
340 *entity shall be paid into the Transportation Trust Fund.*

341 F. Any changes in the terms of the comprehensive agreement, as may be agreed upon by the parties
342 from time to time, shall be added to the comprehensive agreement by written amendment.

343 G. Notwithstanding any contrary provision of this chapter, a responsible public entity may enter into
344 a comprehensive agreement with multiple private entities if the responsible public entity determines in
345 writing that it is in the public interest to do so.

346 H. The comprehensive agreement may provide for the development and/or operation of phases or
347 segments of the qualifying transportation facility.

348 § 56-567.1. Financing.

349 Any financing of a qualifying transportation facility may be in such amounts and upon such terms
350 and conditions as may be determined by the parties to the interim or comprehensive agreement. Without
351 limiting the generality of the foregoing, the private entity and the responsible public entity may propose
352 to utilize any and all revenues that may be available to them and may, to the fullest extent permitted by
353 applicable law, issue debt, equity, or other securities or obligations, enter into leases, *concessions*, and
354 grant and loan agreements, access any designated transportation trust funds, borrow or accept grants
355 from any state infrastructure bank and secure any financing with a pledge of, security interest in, or lien
356 on, any or all of its property, including all of its property interests in the qualifying transportation
357 facility.

358 § 56-573.1. Procurement.

359 The Virginia Public Procurement Act (§ 2.2-4300 et seq.) shall not apply to this chapter; however, a
360 responsible public entity may enter into an interim or a comprehensive agreement only in accordance
361 with guidelines adopted by it as follows:

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362 1. A responsible public entity may enter into an interim or a comprehensive agreement in accordance
 363 with guidelines adopted by it that are consistent with procurement through "competitive sealed bidding"
 364 as defined in § 2.2-4301 and subsection B of § 2.2-4310.

365 2. A responsible public entity may enter into an interim or a comprehensive agreement in accordance
 366 with guidelines adopted by it that are consistent with the procurement of "other than professional
 367 services" through competitive negotiation as defined in § 2.2-4301 and subsection B of § 2.2-4310. Such
 368 responsible public entity shall not be required to select the proposal with the lowest price offer, but may
 369 consider price as one factor in evaluating the proposals received. Other factors that may be considered
 370 include (i) the proposed cost of the qualifying transportation facility; (ii) the general reputation,
 371 qualifications, industry experience, and financial capacity of the private entity; (iii) the proposed design,
 372 operation, and feasibility of the qualifying transportation facility; (iv) the eligibility of the facility for
 373 priority selection, review, and documentation timelines under the responsible public entity's guidelines;
 374 (v) local citizen and public entity comments; (vi) benefits to the public; (vii) the private entity's
 375 compliance with a minority business enterprise participation plan or good faith effort to comply with the
 376 goals of such plan; (viii) the private entity's plans to employ local contractors and residents; (ix) the
 377 safety record of the private entity; (x) the ability of the facility to address the needs identified in the
 378 appropriate state, regional or local transportation plan by improving safety, reducing congestion,
 379 increasing capacity, and/or enhancing economic efficiency; and (xi) other criteria that the responsible
 380 public entity deems appropriate.

381 A responsible public entity shall proceed in accordance with the guidelines adopted by it pursuant to
 382 subdivision 1 unless it determines that proceeding in accordance with the guidelines adopted by it
 383 pursuant to this subdivision is likely to be advantageous to the responsible public entity and the public,
 384 based on (i) the probable scope, complexity, or urgency of a project; (ii) risk sharing including
 385 guaranteed cost or completion guarantees, added value, or debt or equity investments proposed by the
 386 private entity; or (iii) an increase in funding, dedicated revenue source or other economic benefit that
 387 would not otherwise be available. When the responsible public entity determines to proceed according to
 388 the guidelines adopted by it pursuant to this subdivision, it shall state the reasons for its determination in
 389 writing. If a state agency is the responsible public entity, the approval of the Secretary of Transportation
 390 shall be required as more specifically set forth in the guidelines before the comprehensive agreement is
 391 signed.

392 3. Interim or comprehensive agreements for maintenance or asset management services for a
 393 transportation facility that is a highway, bridge, tunnel or overpass, and any amendment or change order
 394 thereto that increases the highway lane-miles receiving services under such an agreement shall be
 395 procured in accordance with guidelines that are consistent with procurement through "competitive sealed
 396 bidding" as defined in § 2.2-4301 and subsection B of § 2.2-4310. Furthermore, such contracts shall be
 397 of a size and scope to encourage maximum competition and participation by agency prequalified
 398 contractors and otherwise qualified contractors.

399 4. The provisions of subdivision 3 shall not apply to maintenance or asset management services
 400 agreed to as part of the initial provisions of any interim or comprehensive agreement entered into for the
 401 original construction, reconstruction, or improvement of any highway pursuant to Chapter 22 (§ 56-556
 402 et seq.) of Title 56 and shall not apply to any concession that, at a minimum, provides for (i) the
 403 construction, reconstruction, or improvement of any transportation facility or (ii) the operation and
 404 maintenance of any transportation facility with existing toll facilities.

405 5. Once a comprehensive agreement has been entered into, and the process of bargaining of all
 406 phases or aspects of the comprehensive agreement is complete, a responsible public entity shall make
 407 available, upon request, procurement records in accordance with § 2.2-4342.

408 6. Nothing in this section shall require that professional services be procured by any method other
 409 than competitive negotiation in accordance with the Virginia Public Procurement Act (§ 2.2-4300 et
 410 seq.).

411 § 58.1-811. Exemptions.

412 A. The taxes imposed by §§ 58.1-801 and 58.1-807 shall not apply to any deed conveying real estate
 413 or lease of real estate:

414 1. To an incorporated college or other incorporated institution of learning not conducted for profit,
 415 where such real estate is intended to be used for educational purposes and not as a source of revenue or
 416 profit;

417 2. To an incorporated church or religious body or to the trustee or trustees of any church or religious
 418 body, or a corporation mentioned in § 57-16.1, where such real estate is intended to be used exclusively
 419 for religious purposes, or for the residence of the minister of any such church or religious body;

420 3. To the United States, the Commonwealth, or to any county, city, town, district or other political
 421 subdivision of the Commonwealth;

422 4. To the Virginia Division of the United Daughters of the Confederacy;

- 423 5. To any nonstock corporation organized exclusively for the purpose of owning or operating a
 424 hospital or hospitals not for pecuniary profit;
- 425 6. To a corporation upon its organization by persons in control of the corporation in a transaction
 426 which qualifies for nonrecognition of gain or loss pursuant to § 351 of the Internal Revenue Code as it
 427 exists at the time of the conveyance;
- 428 7. From a corporation to its stockholders upon complete or partial liquidation of the corporation in a
 429 transaction which qualifies for income tax treatment pursuant to § 331, 332, 333 or 337 of the Internal
 430 Revenue Code as it exists at the time of liquidation;
- 431 8. To the surviving or new corporation, partnership or limited liability company upon merger or
 432 consolidation of two or more corporations, partnerships or limited liability companies, or in a
 433 reorganization within the meaning of § 368 (a) (1) (C) and (F) of the Internal Revenue Code as
 434 amended;
- 435 9. To a subsidiary corporation from its parent corporation, or from a subsidiary corporation to a
 436 parent corporation, if the transaction qualifies for nonrecognition of gain or loss under the Internal
 437 Revenue Code as amended;
- 438 10. To a partnership or limited liability company, when the grantors are entitled to receive not less
 439 than 50 percent of the profits and surplus of such partnership or limited liability company; provided that
 440 the transfer to a limited liability company is not a precursor to a transfer of control of the assets of the
 441 company to avoid recordation taxes;
- 442 11. From a partnership or limited liability company, when the grantees are entitled to receive not less
 443 than 50 percent of the profits and surplus of such partnership or limited liability company; provided that
 444 the transfer from a limited liability company is not subsequent to a transfer of control of the assets of
 445 the company to avoid recordation taxes;
- 446 12. To trustees of a revocable inter vivos trust, when the grantors in the deed and the beneficiaries of
 447 the trust are the same persons, regardless of whether other beneficiaries may also be named in the trust
 448 instrument, when no consideration has passed between the grantor and the beneficiaries; and to the
 449 original beneficiaries of a trust from the trustees holding title under a deed in trust;
- 450 13. When the grantor is the personal representative of a decedent's estate or trustee under a will or
 451 inter vivos trust of which the decedent was the settlor, other than a security trust defined in § 55-58.1,
 452 and the sole purpose of such transfer is to comply with a devise or bequest in the decedent's will or to
 453 transfer title to one or more beneficiaries after the death of the settlor in accordance with a dispositive
 454 provision in the trust instrument; or
- 455 14. When the grantor is an organization exempt from taxation under § 501 (c) (3) of the Internal
 456 Revenue Code that is organized and operated primarily to acquire land and purchase materials to erect
 457 or rehabilitate low-cost homes on such land, which homes are sold at cost to persons who otherwise
 458 would be unable to afford to buy a home through conventional means, located in a county with a
 459 population of not less than 28,500 and not more than 28,650 or a city with a population of not less than
 460 66,000 and not more than 70,000.
- 461 B. The taxes imposed by §§ 58.1-803 and 58.1-804 shall not apply to any deed of trust or mortgage:
- 462 1. Given by an incorporated college or other incorporated institution of learning not conducted for
 463 profit;
- 464 2. Given by the trustee or trustees of a church or religious body or given by an incorporated church
 465 or religious body, or given by a corporation mentioned in § 57-16.1;
- 466 3. Given by any nonstock corporation organized exclusively for the purpose of owning and/or
 467 operating a hospital or hospitals not for pecuniary profit;
- 468 4. Given by any local governmental entity or political subdivision of the Commonwealth to secure a
 469 debt payable to any other local governmental entity or political subdivision; or
- 470 5. Securing a loan made by an organization described in subdivision 14 of subsection A of this
 471 section.
- 472 C. The tax imposed by § 58.1-802 shall not apply to any:
- 473 1. Transaction described in subdivisions 6 through 13 of subsection A of this section;
- 474 2. Instrument or writing given to secure a debt;
- 475 3. Deed conveying real estate from an incorporated college or other incorporated institution of
 476 learning not conducted for profit;
- 477 4. Deed conveying real estate from the United States, the Commonwealth or any county, city, town,
 478 district or other political subdivision thereof;
- 479 5. Conveyance of real estate to the Commonwealth or any county, city, town, district or other
 480 political subdivision thereof, if such political unit is required by law to reimburse the parties taxable
 481 pursuant to § 58.1-802; or
- 482 6. Deed conveying real estate from the trustee or trustees of a church or religious body or from an
 483 incorporated church or religious body, or from a corporation mentioned in § 57-16.1.

484 D. No recordation tax shall be required for the recordation of any deed of gift between a grantor or
 485 grantors and a grantee or grantees when no consideration has passed between the parties. Such deed
 486 shall state therein that it is a deed of gift.

487 E. The tax imposed by § 58.1-807 shall not apply to any lease to the United States, the
 488 Commonwealth, or any county, city, town, district or other political subdivision of the Commonwealth.

489 F. The taxes imposed by §§ 58.1-801, 58.1-802, 58.1-807, 58.1-808 and 58.1-814 shall not apply to
 490 (i) any deed of gift conveying real estate or any interest therein to The Nature Conservancy or (ii) any
 491 lease of real property or any interest therein to The Nature Conservancy, where such deed of gift or
 492 lease of real estate is intended to be used exclusively for the purpose of preserving wilderness, natural
 493 or open space areas.

494 G. The words "trustee" or "trustees," as used in subdivision 2 of subsection A, subdivision 2 of
 495 subsection B, and subdivision 6 of subsection C, include the trustees mentioned in § 57-8 and the
 496 ecclesiastical officers mentioned in § 57-16.

497 H. No recordation tax levied pursuant to this chapter shall be levied on the release of a contractual
 498 right, if the release is contained within a single deed that performs more than one function, and at least
 499 one of the other functions performed by the deed is subject to the recordation tax.

500 I. *No recordation tax levied pursuant to this chapter shall be levied on a deed, lease, easement,*
 501 *release, or other document recorded in connection with a concession pursuant to the Public-Private*
 502 *Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law.*

503 § 58.1-3203. Taxation of certain leasehold interests; concessions.

504 All leasehold interests in real property which is exempt from assessment for taxation from the owner
 505 shall be assessed for local taxation to the lessee. If the remaining term of the lease is fifty years or
 506 more, or the lease permits the lessee to acquire the real property for a nominal sum at the completion of
 507 the term, such leasehold interest shall be assessed as if the lessee were the owner. Otherwise, such
 508 assessment shall be reduced two percent for each year that the remainder of such term is less than fifty
 509 years; however, no such assessment shall be reduced more than eighty-five percent. If the lessee has a
 510 right to renew without the consent of the lessor, the term of such lease shall be the sum of the original
 511 lease term plus all such renewal terms.

512 When any real property is exempt from taxation under Section 6 (a) (1) or (2) or by designation
 513 under Section 6 (a) (6) of Article X of the Constitution of Virginia, the leasehold interest in such
 514 property may also be exempt from taxation, provided that the property is leased to a lessee who is
 515 exempt from taxation pursuant to § 501 (c) of the Internal Revenue Code and is used exclusively by
 516 such lessee primarily for charitable, literary, scientific, or educational purposes. No leasehold interest or
 517 concession, as defined in § 56-557, of tax exempt property of a governmental agency shall be subject to
 518 assessment for local property tax purposes where the property is leased to a public service corporation
 519 or subsidiary thereof or a nonprofit corporation whose occupation, use or operation of the tax
 520 exempt property is in aid of or promotes the governmental purposes set out in Chapter 10 (§ 62.1-128 et
 521 seq.) of Title 62.1 or to a private entity that is party to a concession agreement with a responsible
 522 public entity pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or to similar
 523 federal law. The provisions of this section shall not apply to any leasehold interests exempted or
 524 partially exempted by other provisions of law.

525 § 58.1-3606.1. *Property indirectly owned by government.*

526 *Property indirectly owned by the Commonwealth or any political subdivision thereof or by the*
 527 *United States shall include, but not be limited to, a leasehold interest or other right pursuant to a*
 528 *concession, as defined in § 56-557, in a transportation facility and real property acquired or constructed*
 529 *for the development and/or operation of the qualifying transportation facility when (i) the qualifying*
 530 *transportation facility is owned, or title to it is held, by the Commonwealth or any political subdivision*
 531 *thereof or by the United States and is being developed and/or operated pursuant to a concession under*
 532 *the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law and (ii) the*
 533 *property or leasehold interest is required to be dedicated to the Commonwealth, its political subdivision,*
 534 *or the United States upon the termination of the concession.*

535 § 58.1-3703. Counties, cities and towns may impose local license taxes and fees; limitation of
 536 authority.

537 A. The governing body of any county, city or town may charge a fee for issuing a license in an
 538 amount not to exceed \$100 for any locality with a population greater than 50,000, \$50 for any locality
 539 with a population of 25,000 but no more than 50,000 and \$30 for any locality with a population smaller
 540 than 25,000. For purposes of this section, population may be based on the most current final population
 541 estimates of the Weldon Cooper Center for Public Service of the University of Virginia. Such governing
 542 body may levy and provide for the assessment and collection of county, city or town license taxes on
 543 businesses, trades, professions, occupations and callings and upon the persons, firms and corporations
 544 engaged therein within the county, city or town subject to the limitations in (i) subsection C and (ii)

subsection A of § 58.1-3706, provided such tax shall not be assessed and collected on any amount of gross receipts of each business upon which a license fee is charged. Any county, city or town with a population greater than 50,000 shall reduce the fee to an amount not to exceed \$50 by January 1, 2000. The ordinance imposing such license fees and levying such license taxes shall include the provisions of § 58.1-3703.1.

B. Any county, city or town by ordinance may exempt in whole or in part from the license tax (i) the design, development or other creation of computer software for lease, sale or license and (ii) private businesses and industries entering into agreements for the establishment, installation, renovation, remodeling, or construction of satellite classrooms for grades kindergarten through three on a site owned by the business or industry and leased to the school board at no costs pursuant to § 22.1-26.1.

C. No county, city, or town shall impose a license fee or levy any license tax:

1. On any public service corporation or any motor carrier, common carrier, or other carrier of passengers or property formerly certified by the Interstate Commerce Commission or presently registered for insurance purposes with the Surface Transportation Board of the United States Department of Transportation, Federal Highway Administration, except as provided in § 58.1-3731 or as permitted by other provisions of law;

2. For selling farm or domestic products or nursery products, ornamental or otherwise, or for the planting of nursery products, as an incident to the sale thereof, outside of the regular market houses and sheds of such county, city or town, provided such products are grown or produced by the person offering them for sale;

3. Upon the privilege or right of printing or publishing any newspaper, magazine, newsletter or other publication issued daily or regularly at average intervals not exceeding three months, provided the publication's subscription sales are exempt from state sales tax, or for the privilege or right of operating or conducting any radio or television broadcasting station or service;

4. On a manufacturer for the privilege of manufacturing and selling goods, wares and merchandise at wholesale at the place of manufacture;

5. On a person engaged in the business of severing minerals from the earth for the privilege of selling the severed mineral at wholesale at the place of severance, except as provided in §§ 58.1-3712 and 58.1-3713;

6. Upon a wholesaler for the privilege of selling goods, wares and merchandise to other persons for resale unless such wholesaler has a definite place of business or store in such county, city or town. This subdivision shall not be construed as prohibiting any county, city or town from imposing a local license tax on a peddler at wholesale pursuant to § 58.1-3718;

7. Upon any person, firm or corporation for engaging in the business of renting, as the owner of such property, real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel trailer parks, lodging houses, rooming houses and boardinghouses; however, any county, city or town imposing such a license tax on January 1, 1974, shall not be precluded from the levy of such tax by the provisions of this subdivision;

8. [Repealed.]

9. On or measured by receipts for management, accounting, or administrative services provided on a group basis under a nonprofit cost-sharing agreement by a corporation which is an agricultural cooperative association under the provisions of Article 2 (§ 13.1-312 et seq.) of Chapter 3 of Title 13.1, or a member or subsidiary or affiliated association thereof, to other members of the same group. This exemption shall not exempt any such corporation from such license or other tax measured by receipts from outside the group;

10. On or measured by receipts or purchases by an entity which is a member of an affiliated group of entities from other members of the same affiliated group. This exclusion shall not exempt affiliated entities from such license or other tax measured by receipts or purchases from outside the affiliated group. This exclusion also shall not preclude a locality from levying a wholesale merchant's license tax on an affiliated entity on those sales by the affiliated entity to a nonaffiliated entity, notwithstanding the fact that the wholesale merchant's license tax would be based upon purchases from an affiliated entity. Such tax shall be based on the purchase price of the goods sold to the nonaffiliated entity. As used in this subdivision, the term "sales by the affiliated entity to a nonaffiliated entity" means sales by the affiliated entity to a nonaffiliated entity where goods sold by the affiliated entity or its agent are manufactured or stored in the Commonwealth prior to their delivery to the nonaffiliated entity;

11. On any insurance company subject to taxation under Chapter 25 (§ 58.1-2500 et seq.) of this title or on any agent of such company;

12. On any bank or trust company subject to taxation in Chapter 12 (§ 58.1-1200 et seq.) of this title;

13. Upon a taxicab driver, if the locality has imposed a license tax upon the taxicab company for which the taxicab driver operates;

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606 14. On any blind person operating a vending stand or other business enterprise under the jurisdiction
 607 of the Department for the Blind and Vision Impaired, or a nominee of the Department, as set forth in
 608 § 51.5-98;

609 15. [Expired.]

610 16. [Repealed.]

611 17. On an accredited religious practitioner in the practice of the religious tenets of any church or
 612 religious denomination. "Accredited religious practitioner" shall be defined as one who is engaged solely
 613 in praying for others upon accreditation by such church or religious denomination;

614 18. (a) On or measured by receipts of a charitable nonprofit organization except to the extent the
 615 organization has receipts from an unrelated trade or business the income of which is taxable under
 616 Internal Revenue Code § 511 et seq. For the purpose of this subdivision, "charitable nonprofit
 617 organization" means an organization which is described in Internal Revenue Code § 501 (c) (3) and to
 618 which contributions are deductible by the contributor under Internal Revenue Code § 170, except that
 619 educational institutions shall be limited to schools, colleges and other similar institutions of learning.

620 (b) On or measured by gifts, contributions, and membership dues of a nonprofit organization.
 621 Activities conducted for consideration which are similar to activities conducted for consideration by
 622 for-profit businesses shall be presumed to be activities that are part of a business subject to licensure.
 623 For the purpose of this subdivision, "nonprofit organization" means an organization exempt from federal
 624 income tax under Internal Revenue Code § 501 other than charitable nonprofit organizations;

625 19. On any venture capital fund or other investment fund, except commissions and fees of such
 626 funds. Gross receipts from the sale and rental of real estate and buildings remain taxable by the locality
 627 in which the real estate is located provided the locality is otherwise authorized to tax such businesses
 628 and rental of real estate; or

629 20. On total assessments paid by condominium unit owners for common expenses. "Common
 630 expenses" and "unit owner" have the same meanings as in § 55-79.41; or

631 21. *On or measured by receipts of a qualifying transportation facility directly or indirectly owned or*
 632 *title to which is held by the Commonwealth or any political subdivision thereof or by the United States*
 633 *as described in § 58.1-3606.1 and developed and/or operated pursuant to a concession under the*
 634 *Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or similar federal law.*

(SB666)

GOVERNOR'S RECOMMENDATION

1. Line 635, enrolled, after line 634

insert

2. Should any tax, which by this act shall not be levied or imposed, be levied, imposed and collected by a county, city, or town on or from a private entity that is a party to a concession agreement with a responsible public entity pursuant to the Public-Private Transportation Act of 1995 (§ 56-556 et seq.) or to similar federal law, the Commonwealth Transportation Board shall withhold funds appropriated and allocated pursuant to Article 1.1 (§ 33.1-23.01 et seq.) of Chapter 1 of Title 33.1 to such county, city or town equal to the amount of any such tax imposed, levied and collected that has not been refunded with any applicable interest by the county, city or town, and to use such funds as the Board shall determine to offset any such tax imposed, levied and collected but not refunded.

Legislative Information System

(SB666)

AMENDMENT(S) PROPOSED BY THE SENATE

COURTS OF JUSTICE

1. Line 67, introduced, after facility

insert

; however, a commercial or retail use or enterprise not essential to the transportation of persons or goods shall not be a "transportation facility."

Legislative Information System

<http://leg1.state.va.us/cgi-bin/legp504.exe?061+amd+SB666AS>

4/19/2006

Private and Confidential

Darryn Kamp
Group Financial Controller
Transurban Group
Level 43 Rialto South Tower
525 Collins Street
Melbourne Victoria 3000

PricewaterhouseCoopers
ABN 52 780 433 757

2 Southbank Blvd
MELBOURNE VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone +61 3 8603 1000

21 June 2006

Subject: Reliance Letter - Project Pocahontas (the "Project")

PricewaterhouseCoopers ("PwC" or "we") have agreed to provide services to Transurban Group ("Client") in relation to the acquisition structure to the Pocahontas Parkway toll road ("Project Pocahontas"). The services include provision of US and Australian tax opinions outlining the key tax consequences of the proposed acquisition structure (our "Opinions"). References in this letter to our Opinions include references to any part of our Opinions.

You have asked us to consent to you providing a copy of our US and Australian Tax Opinions to the project lenders (the "Financiers"), potential lenders (the "Potential Financiers"), and their possible successors and assignees (the "Successors"). We consent to the Financiers, Potential Financiers and Successors (referred to collectively as the "Lenders") receiving a copy of our draft Opinions (and subject to the specified conditions below to rely on our Opinions) on the basis that before they are provided with a copy of our Opinions they acknowledge and agree in writing to us that they accept the following basis on which they may be provided with a copy of our Opinions:

1. In carrying out our investigations and providing our Opinions we have acted solely and exclusively for the Client and we have owed no duty to advise the Lenders or any other entity or person.
2. By consenting to our Opinions being given to and relied upon by the Lenders for the limited purpose specified below we are not taken to have assumed any duty to advise them or to consider their circumstances or position.
3. Our Opinions are only to be relied on for the purpose of assisting the Lenders in their consideration of whether to provide finance in the form of a senior debt facility and to the terms and structure of such facility for the purposes of allowing the Project Pocahontas Parkway permit to be acquired (the "Finance Transaction").

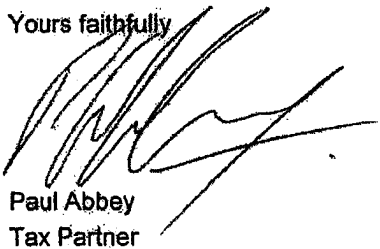
4. Our Opinions are strictly confidential and will only be shown to the Lenders' officers, employees and their respective professional advisers who need to see our Opinions for the purpose of the Finance Transaction and will not be disclosed, shown, copied, disseminated, given to or relied upon by any other person or entity without our express written consent, which may be withheld in our absolute discretion. However, if a Lender is required by law to disclose our Opinion, it may do so provided we are advised in writing (as soon as practicable) after the legal obligation to disclose arises.
5. The Lenders must show this letter to its officers and employees to whom it shows our Opinions and will ensure that they observe the provisions of this letter.
6. Our Opinions are subject to the qualifications, assumptions and disclaimers expressed in them. Our Opinions have been prepared for the Client's purposes, and not the Lenders' purposes.
7. We are not aware of the terms of the Finance Transaction or of any agreement between the Lenders and the Client, other than the fact that the Lenders may provide finance or other assistance to the Project.
8. It is the responsibility of the Lenders to determine the suitability of our Opinions for their own purposes.
9. The Lenders acknowledge and agree that if a Lender, or any of its officers or employees provides our Opinions to any person or entity in breach of the terms of this letter that we may incur or suffer significant loss or damage.
10. Our liability for all claims in the aggregate made by the Client, the Lenders and their respective officers and employees in connection with or arising out of the engagement letter or the terms of this letter is limited to A\$2,000,000.
11. If proceedings are brought by a Lender against us in connection with our Opinions:
 - (a) we will have all the same defences against each Lender as we would have had against the Client (if it had made a claim against us on the same or a corresponding basis); and
 - (b) each Lender will be in no better position on any issue claimed than the Client would have been in (if it had made the same allegations on that issue as each Lender).

12. We undertake no obligation to provide any Lender with any additional information nor to update any of the information or opinions contained in our Opinions.
13. The Lenders and their respective officers, employees and representatives shall not be bound by, or in any manner subject to, any terms or conditions set forth in any separate contractual arrangements or agreements between us and the Client to which the Lenders are not a party.

Please acknowledge your acceptance of the above terms and conditions by signing the enclosed copy of this letter and returning it to us.

This letter is strictly limited to the matters stated in it and does not apply by implication to other matters.

Yours faithfully



Paul Abbey
Tax Partner



Acknowledgment by Client

The terms of this engagement are accepted by MICHAEL KULPER on behalf of Transurban Group, who represents that he/she is authorised to accept these terms, on its behalf.

Signed

M. Kulper

Position

VICE PRESIDENT

Date

JUNE 21, 2006

Acknowledgement by Lenders

I have read the above letter and on behalf of BANCO ESPIRITO SANTO, S.A. I acknowledge and accept the terms and conditions set out therein.

SIGNED for and on behalf of)

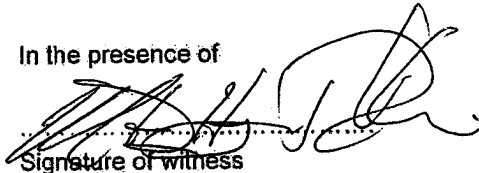
BANCO ESPIRITO SANTO, S.A.)

SALLY STOTT)


Signature

) The signatory warrants that he/she is authorised
) to sign this document on behalf of the financier
)

In the presence of


Signature of witness

Nathaniel Hayes)
Name of witness)

1074 S. Crescent Heights Blvd)
Address of witness Los Angeles CA 90035)



Private and confidential

Mr Conor C Kelly
Managing Director
Infrastructure Finance Unit
DEPFA Bank plc
1 Commons Street
Dublin 1, Ireland

Transurban Limited
ABN 95 098 143 410
Level 43 Rialto South Tower
525 Collins Street Melbourne
Victoria 3000 Australia
Telephone +613 9612 6999
Facsimile +613 9649 7380
email@transurban.com.au
www.transurban.com.au

26 June 2006

Australian tax consolidated group & Tax Sharing Agreement (TSA)

This letter is provided to you as Administrative Agent for the MLAs. We hereby advise that Transurban intends to elect to form a consolidated group (Transurban Holdings Limited (THL)) for Australian income tax purposes with its wholly owned "subsidiaries", including Transurban (895) US Holdings LLC (the Borrower) and Transurban (895) Delaware General Partnership (DGP).

Upon consolidation, Transurban will ensure that each member of the consolidated group (including DGP, the Borrower, TUSA 1 and TUSA 2) will enter into a valid tax sharing agreement (TSA), in line with the recommendations contained within PricewaterhouseCoopers' letter dated 21 June 2006, addressing the key income tax aspects of consolidating the tax group, such that each contributing member of the consolidated group is only liable to pay an amount equal to the amount allocated for that entity in relation to the group liability.

The TSA will be entered into with a "notional tax payable" method of allocation applying, determined with reference to the income tax liability expected if the entity was a "stand alone" entity.

Should you have any questions in relation to this letter, please do not hesitate to contact me.

Yours faithfully

Chris Brant
Chief Finance Officer
Transurban Limited

CERTIFICATE PURSUANT TO SECTION 6.02(g) OF THE ARCA

June 29, 2006

Reference is made to (i) Section 6.02(g) of the Amended and Restated Comprehensive Agreement (Relating to the Grant of Permit) to Develop and Operate the Route 895 Connector dated as of June 29, 2006 (the "ARCA") between the Virginia Department of Transportation, a Department of the Commonwealth of Virginia and Transurban (895) LLC ("T895") and (ii) the Loan Agreement dated as of June 22, 2006 among Transurban (895) US Holdings LLC, DEPFA Bank plc, as Administrative Agent (the "Administrative Agent") on behalf of the lenders party thereto, and the several lenders party thereto. The terms defined herein unless otherwise defined shall the meanings set forth in the ARCA.

DEPFA Bank plc, in its capacity as Administrative Agent, hereby certifies as follows:

1. Attached hereto as Exhibit A are true and correct copies of the Initial Project Financing Agreements and related Financing Assignments.
2. The address of the Collateral Agent for notice purposes is:

Wells Fargo Bank, N.A.
9062 Old Annapolis Road
Columbia, MD 21045
Attn: Public Finance
Telephone: (410) 715-3791
Facsimile: (410) 884-2007

[Signature page to follow.]

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand as of the date first set forth above.

DEPFA BANK plc,
as Administrative Agent

By: 

Name: Conor Kelly
Title: M.D.

By: 

Name: Manakang
Title: Director

Exhibit A

See Tabs 26, 27, 29, 30, 31, 32